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SUBJECT: FOREIGN MINISTER TELLS PARLIAMENT NO U.S. PRESSURE ON GAS PIPELINE WITH IRAN

¶1. (SBU) Media reported on November 28, 2007 that India's Minister of External Affairs, Pranab Mukherjee, had sent to the Lok Sabha a written reply to a question in which he denies that the U.S. has asked India not to move forward with the proposed Iran-Pakistan-India (IPI) natural gas pipeline. EMBASSY COMMENT. This written assertion is factually incorrect. Over the past two years, Ambassador Mulford has conveyed US opposition to the IPI pipeline repeatedly to the Petroleum Minister and other senior MEA and GOI officials; and USG officials and other Embassy officer have made similar demarches. END COMMENT

¶2. (SBU) According to the press report, Minister Mukherjee "informed the House that the Ministry of Petroleum and Natural Gas (MPNG) has been negotiating the pipeline project with Pakistan and Iran. The Sixth meeting of the tripartite Joint Working Group was held in Delhi on 28-29 June 2007. Three meetings of the India-Pakistan Joint Working Group and five meetings of the India-Iran Special Joint Working Group have been held so far. Several key issues including price formula, transit fee and transportation tariff are under discussion." The article also noted that with Pakistan now in a state of emergency, the GOI has indicated that it is waiting for the political climate to cool down before initiating talks on the transit fees.

¶3. (SBU) In a separate, related development the same day, Congress MP Jyotiraditya Scindia, defending the US-India civilian nuclear energy cooperation initiative in the face of withering attacks during Parliamentary debate by the BJP and Left about the deal's supposed erosion of Indian sovereignty, mentioned on-going negotiations on the IPI as one of several signs of continued Indian sovereignty and independence in foreign policy formulation.

¶4. (SBU) COMMENT: Post sees Mukherjee's statement as factually correct but prudently evasive as a response to a parliamentary question, in that: the statement avoids mentioning the GOI's and MPNG's continued skepticism toward the IPI negotiations and towards Iran's reliability as a commercial partner for long-term energy projects; and it is consistent with official statements designed to placate public opinion with assurances that the problematic negotiations are continuing. As previously reported India's main negotiator for the IPI, MPNG Secretary Srinivasan, did not attend the last two scheduled meetings with Iran.

¶5. (SBU) COMMENT CONTINUED. Moreover, the topics cited as "under discussion" have remained over the last two years as central stumbling blocks for India's potential agreement to a final deal. Post's past reporting has underscored India's frustration with Iran's shifting position on pricing and its two-thirds reduction in

the proposed volume of natural gas deliveries via the IPI as well as with Iran's reneging on its other LNG and petroleum exploration agreements with India. Post continues with its long-standing assessment that GOI statements, including this latest from Mukherjee, are designed mainly to assuage public opinion among leftist and Muslim voters who support close ties with Iran, and that the GOI and MPNG remain skeptical of Iran's reliability as a commercial energy partner.

¶6. (SBU) COMMENT CONTINUED: The main benefit to the UPA and the Congress leadership from the IPI, it seems, is the ability to say, as Scindia did, that the talks - however glacial - preserve India's cherished independence and national sovereignty over foreign policy.

Despite sixty years of independence, many here remain paranoid about the evil designs of "imperialist" powers. The pipeline talks play well with the large Muslim vote block and with the many socialists and left-leaning members of India's elites. In their view, even if not even one drop of oil comes out of the whole pipeline process, the very act of "defying" the U.S. is laudable in and of itself. The UPA, recognizing the need to choose its fights carefully, bends to these opinions so it can eak out a much-hoped for victory on an agreement of far greater importance to it: the nuclear deal with the U.S.

MULFORD